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PASS FED BOARD OF GOVERNORS FOR PATRICE ROBITAILLE  
PASS USTR FOR SUE CRONIN AND MARY SULLIVAN  
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SUBJECT: GOA PRICE CONTROLS STRATEGIES - EDUCATION AS EXEMPLAR

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SUMMARY  
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[¶1.](#) (SBU) Private school fees remain a politically sensitive barometer in greater Buenos Aires and GoA efforts to "manage" tuition expenses offer an instructive insight into the Kirchner administration's approach to controlling inflation. Private school tuition fees have already jumped 24 percent in 2006, reflecting substantial GoA-authorized increases in teacher salaries. However, the GoA has only authorized such increased fees through the end of this calendar year and senior GoA officials are leaning hard on school administrators to roll back these increases in 2007. Additional GoA efforts to control education fees via cost-plus pricing formulas and by mandatory public disclosure of school expenses may well help depress headline inflation numbers through planned October 2007 elections, but many here doubt the sustainability of these GoA strategies. END SUMMARY

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CONSUMER PRICE INDEX  
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[¶2.](#) (U) The Consumer Price Index (CPI) rose a monthly 0.6 percent in August, in line with the central bank's (BCRA's) consensus forecast and bringing 12-month inflation to 11 percent. Accumulated inflation for the first eight months of 2006 totaled 6.1 percent, a 1.6 percentage-point drop from the same period in 2005. This official CPI measures inflation only in the Greater Buenos Aires urban area. According to the BCRA's consensus published in August, CPI inflation is expected to be 0.8 percent in September, and 10.1 percent for the full year 2006.

[¶3.](#) (U) A 2.9 percent jump in education expenses was the single largest contributor to the August CPI increase. Education prices rose 20.2 percent over the first 8 months of the year, higher than the full year 2005 increase of 17.5 percent. Education prices include both school tuition fees and school supplies prices. There are approximately 900 private schools in Buenos Aires city and 5600

in Buenos Aires Province.

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HOW TUITION FEES WERE INCREASED - AND CONTROLLED  
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14. (U) School tuition fees rose 3.2 percent in August and 23.8 percent thus far in 2006. Regulations allow private schools to boost tuition fees during an academic year (which runs from approximately February to November) only if schools incorporate increases in teachers' salaries required by law. Teachers' salaries were increased March 2006, establishing a "floor" salary of ARP 840 (approximately USD 270) per month throughout the country. The Government of Buenos Aires City set an additional 10.2 percent salary increase in August 2006, benefiting approximately 37,000 local teachers. Teacher salaries represent 70 - 80 percent of private school costs.

15. (U) The GOA authorized school tuition fee increases based on the March 2006 authorized teacher salary increases - but only effective June 2006 and only through December 2006. The GOA required that schools charge this premium as a separate line item, a "compensation for higher costs" (CHC) charge. The GoA's Secretariat of Domestic Trade and the City of Buenos Aires government announced they would jointly launch a website where private schools would have to detail their individual cost structures, so that parents would be able to monitor how schools calculated their CHC and challenge any "abusive" behavior.

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RECENT NEGOTIATIONS  
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16. (U) Secretary of Domestic Trade Guillermo Moreno met with private schools representatives September 7 and asked that they drop the CHC premium from their 2007 tuition fee schedule. Carlos Galli, executive secretary of private school chamber COORDIEP, and Perpetuo Lentijo, president of another school chamber ADEEPRA, later commented to media that private schools have been subject to strong GoA pressure to roll back tuition fees for the upcoming 2007 school year. Secretary Moreno subsequently clarified that any future school fee rises reflecting teacher salary increases would only be authorized only under a CHC-like mechanism.

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COMMENT  
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17. (SBU) With of 50% of Buenos Aires City students and 30% of greater Buenos Aires Province students attending private schools, tuition fees remain a politically sensitive barometer here. GoA efforts to control school prices via temporary authorization of cost-plus pricing formulas and public disclosure of school expenses may well have a short term impact, but many here doubt the sustainability of these measures. The Kirchner administration is committed to keeping the "canasta basica" consumer price index under control through planned October 2007 elections. This may become an increasingly difficult challenge for the GoA: Citibank analysts calculate that the July 2006 price index has been "suppressed" by a full 17 percent due to the imposition of explicit or implicit GoA price controls.

18. To see more Buenos Aires reporting, visit our classified website at: <http://www.state.sgov.gov/p/wha/buenosaires>

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